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USAID/Jordan Strategy 2004 – 2009:



Gateway to the Future



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USAID Mission to the Hashemite Kingdom of Jordan Strategic Direction of the U.S. Foreign Assistance Program

Gateway to the Future 2004-2009

An opportunity for significant social and economic transformation presents itself to the Middle East. The dramatic changes that have taken place in the region signal the start of a new era of cooperation. At the forefront stands the Hashemite Kingdom of Jordan. Jordan has long been an oasis of stability in a region marred by conflict. The changes that are occurring throughout the Middle East provide opportunities for Jordan to promote a greater level of social and economic development and ultimately improve the well-being of its citizens. Jordan is now transforming itself into a center of dynamic and creative economic and social reform.

The United States has a warm and longstanding friendship with Jordan. This friendship has been demonstrated through unparalleled levels of cooperation in numerous fields of endeavor. The relationship between Jordan and the United States continues to play a central role in supporting U.S. strategic interests in the region and promoting the Middle East peace process. Jordan is strongly committed to the war on terror, economic liberalization and trade, and a renewed emphasis on civil society, good governance, and education.

USAID assistance is part of the overall U.S. Mission strategy to advance prosperity and stability in Jordan. The goals of economic growth, education, democracy and governance, and empowerment of women, articulated in the Middle East Partnership Initiative (MEPI), provide a major part of the strategic underpinnings of USAID assistance to Jordan. The USAID strategy is closely coordinated with and reinforces U.S. Government strategic dialogue, public diplomacy efforts, MEPI-funded activities, and Jordanian government priorities.

OVERVIEW

Relationship to U.S. Foreign Policy Goals

USAID assistance for economic and social development in Jordan contributes to regional stability and complements U.S. political leadership in the Middle East. The overall goal of the USAID program is to address the long-term development needs of Jordan's population while also accelerating the pace of reform in sectors closely linked to social and economic transformation. In order to achieve this aim, USAID is proposing to work in three areas: economic growth, social sector development and governance, and water resource development. This assistance will strengthen Jordan's commitment to regional stability by helping its citizens realize the tangible benefits of peace. In this regard, the program places a strong emphasis on both short-term, visible results to address

immediate needs, and on longer-term development objectives, which bring sustainable improvements in the lives of Jordanians.

Political Overview

In 1999 His Majesty King Abdullah II succeeded his late father King Hussein as ruler of Jordan. Since his rise to power, King Abdullah has demonstrated a sustained commitment to economic and social reform. In particular, His Majesty has been a strong proponent of improving Jordan's legal and regulatory framework. Since 1999, King Abdullah has promulgated a large number of laws that support economic and social reform in the Kingdom.

Although Jordan's Chamber of Deputies was dissolved in 2001, generally free and fair elections were held in June 2003. However, the Chamber's role in public decision-making remains uncertain since the government initiates most legislation. Jordan's constitution confers significant powers on the Executive (King Abdullah) and provides for a more consultative role for the legislature. Furthermore, Jordan's judiciary remains subject to some government interference, and due to a variety of structural constraints, the court system is generally characterized as inefficient – retarding commercial transparency, growth, and investment.

Of special note, Islamic extremist groups in Jordan play a minor role in providing health, education and other social/charitable services. In other Muslim countries -- such as Pakistan and Iran -- extremist groups have received significant political support from the communities that they serve. In this respect, the U.S. Mission believes that Jordan is taking the appropriate steps required to prevent groups that might be sympathetic to calls for domestic and international terrorism from becoming a serious threat to stability or Western interests in the Kingdom.

Economic Overview

Historically, Jordan's economy has suffered from high unemployment and underemployment, industrial inefficiency, and limited trade opportunities with other countries. Per capita Gross Domestic Product (GDP) growth stagnated in the late 1990's. This situation was disillusioning for a population that had expected a substantial "peace dividend" from the peace treaty signed with Israel in 1995.

Jordan's business sector is dominated by small, family-owned and micro enterprises that have not been able to transform into larger, more competitive companies. In part, this is due to a conservative commercial banking system that has yet to provide the high level of capital required to generate adequate levels of growth, investment and employment that are needed to offset Jordan's high population growth rate. As a result, Jordanian firms generally lag behind global competitors in the areas of manufacturing, information technology, and financial services.

In the past two years, however, several of Jordan's key economic indicators have shown signs of improvement due to structural reforms implemented by the Government of Jordan (GOJ) with the help of the U.S. and other donors since 1999. The Qualified Industrial Zones and U.S.-Jordan Free Trade Agreement, for example, increased annual U.S.-bound exports by almost five-fold since 2001. Despite the negative economic impact of the war in Iraq in the first part of the year, Jordan's Gross National Product (GNP), the sum of the goods, services, and exports produced by its economy, is projected to increase by 3.5 percent in real terms in 2003. Strongly complementary to these positive indicators, Jordan was accepted into the World Trade Organization (WTO) in 2000. Furthermore, in 2002, Jordan completed a three-year IMF structural adjustment program – ensuring approval shortly thereafter of a two-year stand-by arrangement to support ongoing economic reform. In conclusion, these positive developments combined with the continuation of a relatively stable monetary and fiscal environment and a sound microeconomic and regulatory structure means that Jordan is poised for rapid economic growth during the proposed Strategy period.

Development Challenges

- **High Population Growth Rate:** Jordan has one of the highest fertility rates in the world, posing serious challenges for economic growth, environmental sustainability, and overall stability. Over the past fifty years, the population in Jordan has increased ten-fold to 5.3 million, including immigration. Jordan's high population growth rate strains its natural resource base (e.g. water), employment opportunities for its young population, and the natural environment (e.g. pollution).
- **Poor Natural Resource Endowment:** Jordan is a country poor in natural resources. The Hashemite Kingdom is one of the ten most water deprived countries in the world. This severe shortage, and the accompanying low quality of the water supply, represents a daunting challenge to industrial growth, agricultural development, and citizen well-being. In addition, Jordan's very limited domestic energy resources are inadequate for the needs of a growing economy and population.
- **High Levels of Poverty and Unemployment:** While the data concerning the levels of poverty in Jordan vary widely, it is accepted that at least 15, and possibly up to 30 percent of Jordanians live below a poverty line set at a meager \$439 annual income level. Further, while unemployment is officially estimated to be about 15 percent, underemployment and lack of marketable job skills among entrants into the workforce are equally serious problems. Jordan's poor performance in training its human resource base for the challenges of the work place is a key reason for the high levels of unemployment and underemployment. Equally important is the need to create more jobs to address unemployment and underemployment issues. Since Jordan also suffers from a highly unequal distribution of wealth, the resulting pockets of endemic poverty could translate into risks to Jordan's hard-won stability.

- Poor Quality Primary Health Care Services: Key constraints to Jordan's future development include large family sizes, lack of sufficient high quality maternal child health care services, and a significant increase in the prevalence of chronic diseases such as diabetes, hypertension, and obesity.
- Inadequate Education: Jordan's educational system does not prepare its citizens for the needs of the workplace. With donor assistance, the GOJ is making impressive strides in revamping the way it educates its population. Key sectors for change include a focus on preparing students for the challenges of the modern "knowledge economy." In addition, early childhood education will also undergo a major overhaul in 2003 and 2004, with plans to make pre-kindergarten education mandatory in the Kingdom.
- A Need to Improve Governance: The Government of Jordan faces governance challenges. A strong Executive with broad powers has charted a course for economic and social reform. In this drive to move the country ahead, some key democratic institutions and components of civil society may have been sidelined. Also of note, the checks and balances of a democratic system are not dominant features of Jordan's political landscape. Additionally, media reporting on Jordan's political scene is weak. Finally, there is a relatively low level of participation in civil society, and a reluctance to express public criticism of the Royal Family.
- Low Civic Participation: A recent survey conducted by the University of Jordan indicated a low level of civic participation and a perceived lack of personal freedom in Jordan, especially in terms of public discourse ("Democracy in Jordan 2003," Center for Strategic Studies, June 2003). This finding is important because many Jordanians rightly link a higher level of personal freedom with stronger economic growth, improved education, higher levels of public services, and overall poverty alleviation.
- Security Challenges: Jordan hosts a significant number of refugees. Due to the relatively high level of volatility in several of the countries and areas from which they originate (e.g. Iraq, Israel, the West Bank and Gaza), these populations have presented challenges to Jordan's security.
- Environmental Degradation: The environment of Jordan is under intense pressure from population growth, poverty, industrial development, and air and water pollution. This puts the health of the Jordanian people and Jordan's economic development at risk.

The Middle East Partnership Initiative and Millennium Challenge Account

Linkages to the Middle East Partnership Initiative (MEPI): During the proposed Strategy period of 2004 – 2009, USAID/Jordan will collaborate with Embassy/Amman and other

USG agencies to support bilateral initiatives that promote development and regional stability. In this connection, USAID's program is closely aligned with key U.S. national interests as articulated by the Administration and reflected in Embassy/Amman's Mission Performance Plan (MPP). Also, USAID's emphasis on economic growth, social development and improved governance contributes to MEPI's goals. USAID looks forward to future cooperation with Embassy/Amman colleagues and other USG agencies in areas of mutual interest under this program.

Linkages to the Millennium Challenge Account: On March 14, 2002, President Bush announced that the United States will increase its core assistance to developing countries by 50 percent over the next three years – representing a \$5 billion annual increase over current levels by 2006. This increased assistance will go to a new Millennium Challenge Account (MCA) that funds initiatives to improve the economies and standards of living in qualified developing countries. The goal of the MCA is to reward sound policy decisions that support economic growth and reduce poverty. Jordan is widely considered to be a candidate for assistance under this program within three years, rewarding the Kingdom for its strong push for economic reform and improved social development. USAID programs will help prepare Jordan to qualify for eventual assistance from the MCA by strengthening the country's commercial, legal, and regulatory framework, increasing citizen participation in public discourse, strengthening the rule of law, improving the quality and availability of primary health care and family planning services, and re-developing key areas of the educational system to better prepare Jordanians for the challenges of the work place.

Host Country Initiatives

Since 2000, Jordan has developed three key social and economic transformation initiatives: The Social and Economic Transformation Plan (SETP), Jordan First, and Education Reform for the Knowledge Economy (ERfKE). The SETP is a plan to raise the quality and standard of living of Jordanians by instituting economic and legal reforms, developing human resources, ensuring proper health care, creating qualitative development in rural areas, and improving efficiency of government services. The Jordan First initiative is a comprehensive program to increase participation of all Jordanians in civil society and governance. Developed in partnership with the World Bank, USAID, and other donors, ERfKE is a five-year program adopted by the GOJ in July 2003 to address the future human capacity requirements of Jordan through improved early childhood, primary, and secondary education.

These Jordanian programs are consistent with USAID and MEPI activities in the areas of governance, civil society, education, and economic growth. In fact, during the proposed five-year Strategy period, USAID plans to coordinate assistance to reinforce many of the GOJ's plans to promote economic and social development in the Kingdom. On-going and future programs will support GOJ efforts to alleviate poverty, increase economic growth, tackle persistent water resource problems, expand access to public services, and strengthen the role of civil society in public discourse.

Role of Donors in Jordan

Jordan has been a primary recipient of foreign assistance from the United States and key European and Asian donors over the past several years. In 2002, Jordan received \$470 million in grant assistance. The United States Government provided 60 percent of the grant assistance, followed by the European Union at 23 percent, the Japanese Government at seven percent, the German Government at four percent, the Spanish Government at two percent and the Government of Saudi Arabia at two percent. The remaining two percent was provided by Canada, Norway, the World Bank, the Arab Fund and the Islamic Development Bank combined.

Jordan also received a total of \$184 million in bilateral and multilateral loans. The bulk of the loans were from the World Bank, which provided 68 percent of the total, followed by the German Government at 13 percent, the Spanish and Swiss Governments each at nine percent and Government of Norway at one percent.

Coordination between international donors is strong at the technical level, and weaknesses in coordination at the higher levels are being addressed by the Ministry of Planning. The areas of focus for each of the major international donors is expected to remain the same for the foreseeable future, which will enhance the coordination effort. The main focus of the European Union's and Japanese assistance is balance of payments support. The German Government has historically focused on the water sector, while the World Bank recently re-directed its loan funding toward public sector reform and education.

As a major donor, USAID has long been active in Jordan. For over fifty years, the USG has built schools, roads and waterways, and has assisted in fighting unemployment and disease. USAID has helped develop the tourism industry and is helping transform Aqaba into a world-class free zone and economic hub. Just recently, increases in economic foreign assistance have made Jordan one of the largest recipients of U.S. assistance in the world. In fact, in FY 2003, the USG provided Jordan with \$950 million in economic foreign assistance. Of this amount, \$844.5 million was provided as a direct transfer, leaving about \$105.5 million for USAID to program through project assistance.

USAID/JORDAN STRATEGY 2004 - 2009

USAID/Jordan Program Goal

The goal of the USAID/Jordan program is to strengthen Jordan's commitment to economic and social reform, helping Jordan become a model for growth and prosperity in the region. To do so, the Strategy balances short-term needs with longer-term sustainable development programs focusing on three strategic objectives: Improved Economic Opportunities; Improved Social Sector Development & Governance; and, Enhanced Integrated Water Resources Management. USAID/Jordan will also utilize the conditionality requirements of the cash transfer program, under a new Special Objective,

and the associated local currency program to leverage and strengthen reforms targeted under all three strategic objectives.

The existing three SOs under the USAID/Jordan 1997-2003 strategy will be closed-out at or soon after the start of this new Strategy. Relevant documentation, close-out reports and final SO status will be included in the FY 2005 Annual Report. The existing Special Objective created to implement the balance of payments cash transfer to mitigate the budgetary impact of the cost of the war with Iraq is also expected to close-out in FY 2004.

Strategy Development Approach

The proposed program in Jordan is predicated on U.S. foreign policy interests. Working in partnership with the GOJ, USAID will help increase citizen participation at all levels, provide for citizens' basic needs especially in health and education, improve the utilization of water resources, complete legal and economic reforms, tighten restrictions on money laundering, and implement a host of other initiatives focused on the economy, transparency, education, and governance.

To develop this Strategy, in the fall of 2002, USAID embarked on a consultative process involving the GOJ, Jordanian NGOs, private sector partners and private citizens, Embassy/Amman, USAID/Washington, the Department of State, implementing partners, and international donors. This process involved focus group meetings with business leaders, health professionals, customs officials, engineers, NGOs and private citizens. Brainstorming sessions were also held with implementing partners. Additionally, meetings were held with GOJ counterparts, Embassy/Amman colleagues and other donors. Input was solicited and included from the Department of State and USAID/Washington. Analyses and evaluations were conducted on the current SOs, gender issues, education, the environment, donor coordination, democracy and governance, conflict mitigation, and the macroeconomic situation. Summaries of these analyses can be found in the appendices to this document.

This consultative process produced a strategy based on the three broad objectives identified for USAID interventions, building upon results achieved to date and the close partnership with the GOJ.

Tackling Poverty, Gender Inequality, and Environmental Degradation: Cross-Cutting Themes

In addition to focusing on three major objectives, USAID's assistance strategy will integrate three themes that cut across all our activities: poverty, gender equity, and the protection of the environment. These themes represent fundamental barriers to Jordan's development. Poverty, while not severe and widespread in Jordan, nonetheless has a corrosive effect on social stability. Failure to maximize the role of women in society deprives the country of the full contribution of half its population. Protection of the environment is vital to the health, well-being and prosperity of all Jordanians.

While the data concerning the levels of poverty in Jordan vary widely, it is accepted that possibly up to 30 percent of Jordanians live below a poverty line set at JD 313.5 (\$439) annual income. Poverty in Jordan shows up both in geographic pockets and among particular population groups. Left unaddressed, these pockets of poverty can grow, and become a source of instability for the regime. They have the potential of creating disaffected youth, who can be drawn towards a life of destructive conduct, including terrorism.

USAID has assisted the GOJ in developing its National Poverty Alleviation Strategy. Working with the Ministry of Social Development to implement recommendations made under the Strategy, the Mission intends to support various elements through activities under the three Mission SOs. Combating poverty in Jordan is a major undertaking because poverty in Jordan is a manifestation of complex societal biases as well as economic inefficiencies. For example, some regressive, self-defeating attitudes and behaviors are prevalent among the population, leading to lives of poverty, such as the common perception that some types of honest work are not “honorable.” Furthermore, the link between family size and poverty needs to be highlighted to Jordanian policy makers and the general public. Poor health also needs to be addressed in a comprehensive way, since it is a cause as well as a manifestation of poverty.

Gender equity is a challenging subject in the traditional societies of the Middle East. Gender inequities are manifested in most Jordanian social institutions, including education, government, and the labor market and in accessing capital for investment. Gender inequity is particularly acute among the more economically disadvantaged groups. This situation is ironic, as those groups would most benefit from having women as full and active participants. However, the extended family is the defining social entity in most people’s lives, and its support may either allow for individual success, or stifle opportunity, as is often the case for women.

The GOJ is addressing the issue of gender equality on several fronts, with a focus on improving the status of women in Jordan and “gender mainstreaming.” A number of laws have been amended that relate to the rights of women. For instance, the government, in the absence of Parliament, adopted a “temporary” law that raised marriage age from 15 for women and 16 for men to 18 for both. The temporary Passports Law allows women to acquire passports without the approval of their male guardian. These temporary laws have yet to be approved by Parliament, where there is some opposition. Recently, the Election Law established a quota of six slots for women in the Parliament. Furthermore, the government and Royal Family have undertaken a public awareness campaign against “honor crimes.” And last month, in Washington, D.C., His Majesty stated his plan to “ensure a larger role for women in the decision-making process and in positions of authority.” However, much remains to be accomplished with many laws still sanctioning unfavorable practices towards women or simply not addressing certain issues. For example, domestic violence and honor killings have received media and social attention, but also require legal attention. USAID/Jordan will integrate gender equity concerns in all relevant activities.

Jordan's natural environment is under intense pressure. Population pressures, poverty, industrial development, water and air pollution and wastage are all serious threats to the environment of Jordan, the health of its people, and its economic development. USAID has focused substantial efforts on developing appropriate policies and technologies for use in water and wastewater treatment and reuse projects. Assisting the GOJ in developing protocols for the handling of toxic and medical waste, and continuing to consult intensively on environmental issues related to industrial development, especially in Aqaba, are Agency priorities. USAID has also encouraged the development of the national park system and ecotourism. Responsible stewardship of the environment will be a theme carried throughout the USAID portfolio.

One tool that will be utilized to address three these cross-cutting themes, and the portfolio as a whole, will be information technology (IT). USAID will implement and encourage IT solutions and integration into activities to facilitate development.

STRATEGIC OBJECTIVE: IMPROVED ECONOMIC OPPORTUNITIES

Background & Strategic Purpose

Despite regional instability, Jordan has achieved positive economic growth for the last several years, demonstrating the economy's strength relative to external shocks. USG assistance during the last strategy period was instrumental in creating the conditions for that economic progress. Now, emerging as a competitive player in the global marketplace lies at the center of Jordan's long-term economic growth strategy. Already a regional leader in terms of government commitment to economic reform, Jordan seeks to emulate the success of other small, outward-oriented nations.

Recent economic performance of GDP growth, 4.2 percent and 5.0 percent in 2001 and 2002, respectively, was a culmination of many factors, not least of which was continued coordination between GOJ policymakers and USAID/Jordan to achieve broad-based economic and social sector reforms. Among specific recent efforts, the governments of Jordan and the United States are working to initiate new trade liberalization measures to complement recent trade agreements with the United States and the European Union. They have also worked together to: modify Jordan's taxation structure and initiate pilots for customs and tariff changes; privatize several large and politically sensitive state-owned enterprises; adopt new investment and securities laws and amendments to the companies law; be more responsive to citizens through restructuring, rationalization, and information technology modernization; and reign in loose fiscal and monetary practices.

USAID has supported the development of the Aqaba Special Economic Zone (ASEZ), which is emerging as a model for numerous economic development reforms for the rest of Jordan. The multi-component program includes: institutional development and training of the ASEZ Authority; development of regulatory, customs and revenue systems; planning, infrastructure and private provision of services; investment promotion and facilitation; and business and economic studies and support. This approach is producing important results within the proposed focus areas of this objective, and can serve as a model of good governance and economic reform throughout Jordan.

Of note, the past few years have seen a dramatic increase in the capacity and desire of private Jordanian businesses to support the government's efforts to achieve sectoral reforms that balance decreasing government involvement in the market with a more independent and growing private sector. However, there remains much work to do to increase sustainable economic opportunities and facilitate fairer distribution of gains to all Jordanians. Fortunately for Jordan's prospects for economic growth, there is significant public and private enthusiasm for maintaining the current momentum of reforms, including furthering financial and capital markets reform, commercial law development, support for micro, small, and medium-sized enterprises, public sector restructuring, and information management improvements. In this effort, the private sector must continue to grow as a leading player in transforming local and international investments into productive services and industries. Furthermore, initial reforms in the

public sector, particularly those relating to the capital market formation, trade and investment, and institutional restructuring must progress to the next level.

For Jordan, growth and globalization are inextricably linked to its future. Emerging as a nimble competitive player in the global market place is a centerpiece for Jordan's economic growth. To that end, USAID/Jordan will focus considerable efforts on trade capacity building activities in three broad conceptual areas. First is support to trade. USAID/Jordan has been a strong and consistent supporter of Jordan's participation in trade negotiations, including WTO accession and U.S.-FTA agreements. This support will continue into the new strategy period, and will include regional, as well as other international trade market development.

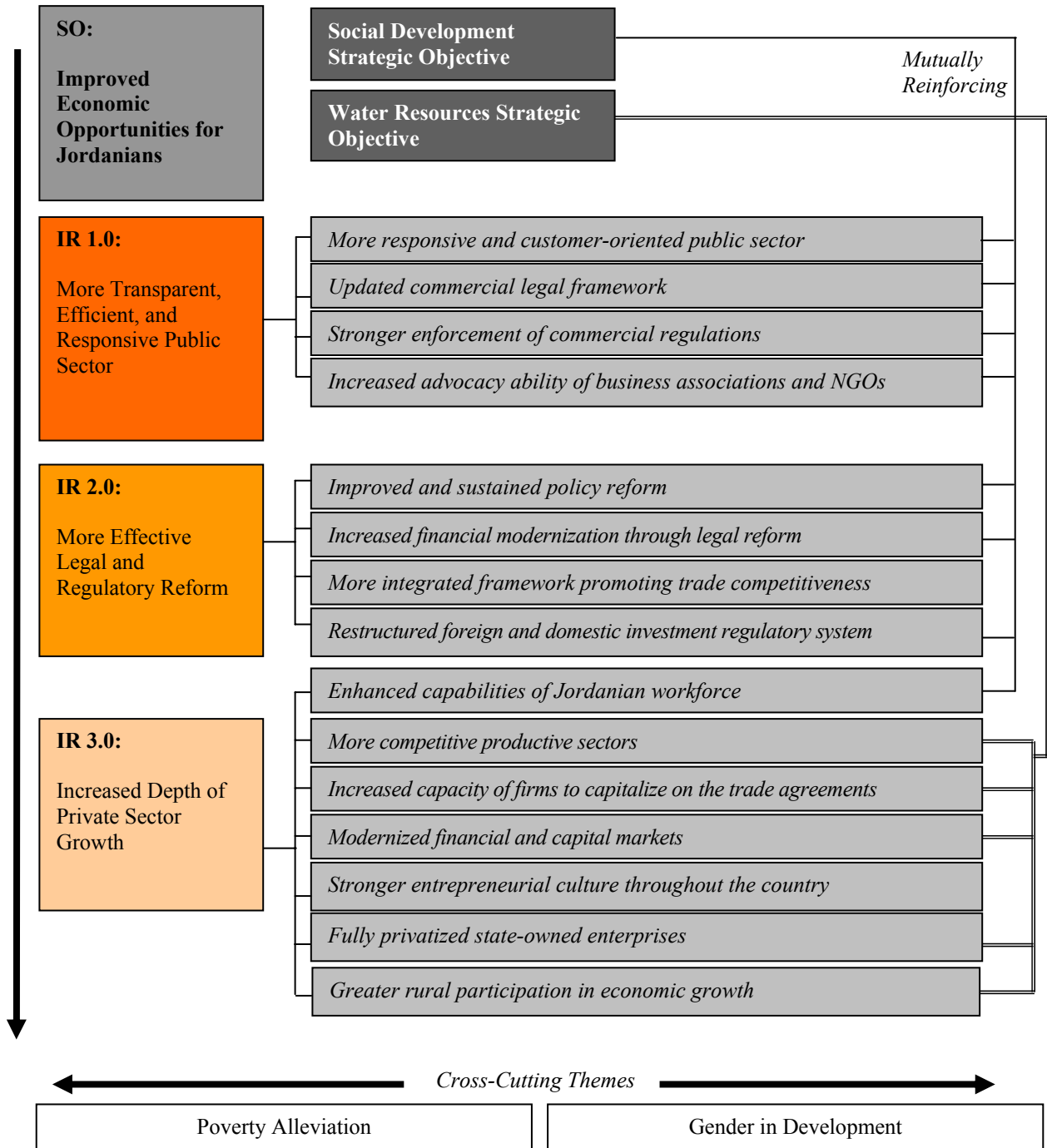
Implementing these trade agreements is a second area of assistance that USAID has and will continue to support. Indeed, WTO and U.S.-FTA standards in such areas as intellectual property will require sophisticated technical assistance. Additionally, USAID will focus on institutional capacity building for the agencies regulating and facilitating trade.

Third, USAID/Jordan will ensure that Jordan has the ability to respond quickly to opportunities for trade. This involves a broad range of support in such areas as legal and regulatory reform, a more efficient financial sector, and a vibrant and competitive private sector. These areas are specifically addressed in the Strategy.

USAID/Jordan will utilize information and communication technologies (ICT) as cross-cutting tools supporting economic reform. Past successes, such as the first phase of e-government, the creation of a national ICT strategy, and broadening access to information technologies will be expanded throughout the coming strategy period.

Strategically, it is also very important to the United States that Jordan prosper and remain a stable partner in the Middle East. To that end, the United States will assist Jordan economically in tackling three fundamental and mutually reinforcing conditions required to drive economic growth through international trade and foreign and domestic investment. Specifically, USAID's partnership with the Jordanian government will revolve around continued policy and institutional reform, support for the GOJ's economic reform agenda, and facilitation of private sector leadership in the economy. These objectives are complementary to the objectives of other strategic areas within the USAID/Jordan Strategy.

Improved Economic Opportunities: Strategic Orientation



Intermediate Results

The Mission has identified the following intermediate results in support of its economic growth strategy:

IR 1.0: Transparent, Efficient and Responsive Public Sector

Supportive public sector policies are crucial for long-term growth. Accountability, transparency, responsiveness, and efficiency give confidence to domestic and international investors, a significant source of growth for Jordan's economy. Also of note, it is key that the private sector participate in public sector reform by taking a more active role in demanding responsive and efficient public services.

The World Bank has centered a considerable amount of its resources on public sector reform in Jordan. Beginning in July 2002, the Public Sector Reform Loan II (PSRL II) program focused on civil service and administrative reform, expenditure programming and budget preparation, and judicial reform. Use of this \$120 million has been coordinated with the Ministry of Administrative Development and the Ministry of Finance.

USAID will target specific areas of economic opportunity that create a more responsive, accountable, and transparent public sector, and will closely link with the Social Sector Development and Governance Strategic Objective. USAID will also coordinate with the World Bank and other donors in its public sector reform agenda to achieve an objective of increasing the advocacy ability of the private sector. In more detail, USAID will focus its assistance on the following results:

More responsive and customer-oriented public sector: Responsible public policymaking requires input from the private sector and other constituencies, including women. Proper implementation of public sector services also requires that local and national level governments be sensitive to consumers of public goods. To help meet this goal, USAID will:

- Assist public officials to enhance communication linkages and various forums for ensuring that GOJ receives input from non-governmental sectors when making public policy, including policy affecting Jordan's fragile environment.
- Continue to encourage the GOJ to allow more open political and economic dialogue in the interest of building an inclusive public policy discourse.
- Provide technical assistance to government ministries to further develop e-government, management, operational, personnel, and representational initiatives.
- Assist in the creation of transparent, accountable, and responsive customer service centers for local and central government entities.
- Assist in the integration of gender-related issues and poverty considerations, where appropriate, in policy dialogues and decision-making processes.

- Advise the GOJ on policies, programs, and managerial, and administrative issues associated with improving women's access to equal pay and benefits, employment, and education and training opportunities.
- Advise the GOJ on policies, programs, managerial, and administrative initiatives and improvements in the delivery of services that support the Poverty Alleviation Strategy of the Ministry of Labor, with particular focus on the "rural poor," "working poor," and the "long-term unemployed."
- Encourage the Ministry of Labor to enact reforms designed to improve Jordan's social safety net programs, particularly the National Aid Fund.
- Implement public sector activities in the Aqaba Special Economic Zone that highlight the benefits of accountable, good governance.

Updated commercial legal framework: Legal development, regulatory oversight, and legal system enforcement are critical to creating government and investor confidence in the Jordanian market. USAID activities will seek to accomplish the following:

- Provide assistance to the GOJ to reform, institute, and strengthen the commercial legal framework and the institutions that enforce commercial codes. This assistance will include integration of gender-focused policies related to: women's access to and control of resources; women's legal rights as related to labor and commercial issues; and greater participation of women-owned businesses.
- Ensure that commercial codes, policies, and other guidelines are streamlined and rationalized.
- Enhance communication linkages to ensure government receives input from non-governmental sectors when making public policy.

Stronger enforcement of commercial regulations: Enforcement of the commercial code is necessary to instill confidence among investors and market participants. Proper enforcement creates a core of commercial case precedence, which helps the market implement the commercial code. USAID assistance will focus on the following objectives:

- Enhance the laws and policies that create semi-autonomous inspection and regulatory bodies for publicly- and privately-owned commercial enterprises.
- Support the capacity of regulating bodies to identify and prosecute cases of fraud and abuse.
- Assist the commercial courts to create a commercial law casebook.

Increased advocacy ability of business associations and NGOs: Broad participation in public policy formation is key to achieving participatory governance in Jordan. Vocalizing the needs and concerns of the private sector and other constituencies is an important objective for creating a more inclusive public policy process. To that end, USAID assistance will focus on the following objectives:

- Enhance communication linkages between the GOJ, business associations, and NGOs, including women's business associations.
- Encourage the formation and/or rationalization of sector-specific interest groups.

- Provide technical assistance and other support to private sector and civil society organizations and women's NGOs that seek to participate in public policy making.

IR 2.0: More Effective Policy and Regulatory Reform

Laws, regulations, and the institutions that enforce them create domestic and international investor confidence in Jordan. They allow markets to be free, fair, and efficient – basic ingredients of well-run economies. Also, key to creating an effective legal and regulatory framework is improvements in governance. In this area, USAID will focus on the results below:

Increased financial modernization through legal reform: The advances already realized in the financial and capital markets and those anticipated through the adoption of this strategy necessitate the promotion of sound policy, legal, and institutional reform. To that end, USAID will do the following:

- Encourage the continued development of laws, policies, and institutions that are responsive to private sector issues, particularly those of the financial and capital markets.
- Advocate increasing the breadth of the Jordanian legal system to include sub-professions such as paralegals, actuaries, court administrators, etc.

More integrated framework promoting trade competitiveness: Satisfying the requirements of Jordan's agreements with the WTO and the U.S.-Jordan FTA is necessary for continued participation. To assist the GOJ in this area, USAID will:

- Assist with the reform of laws, policies, and institutions to fully support the objectives of Jordan's membership in the WTO and its trade agreement with the United States.
- Provide technical assistance and training to the GOJ – particularly customs, the Central Bank, Ministry of Finance, and the trade and investment institutions – to meet market and framework demands.

Restructured foreign and domestic investment regulatory system: The current investment regulatory system is uncoordinated and bureaucratically protected from reform. Institutions, programs, and policies must be rationalized and improved to better serve domestic and international investors. Also, with new trade regulations resulting from Jordan's recently signed trade agreement with the United States, there is a need to streamline, rationalize, and, in some cases, create new laws and institutions that can provide efficient and effective public services for investors. To assist with this effort, USAID will undertake the following activities:

- Support GOJ efforts to rationalize and streamline public trade-related services and institutions.
- Create public awareness mechanisms to provide private industry and investors with up-to-date information on trade and customs regulations/guidelines.
- Promote the successful pilot reforms in Aqaba for use in the rest of the country.

- Provide technical assistance and training to customs and investment-oriented civil servants, including women.
- Encourage continued improvements in public service delivery to domestic and international investors.
- Assist the GOJ in overhauling the bodies that oversee promotion and regulation.
- Advocate the use of the regulatory bodies to act as trade facilitators rather than inhibitors.
- Work with the GOJ to adopt changes to customs, revenue, and investment codes that were piloted in Aqaba.

IR 3.0: Increased Depth of Private Sector Growth

The GOJ's new vision calls for reversing the historic trend of state-dominated economic development. This vision involves transforming the Kingdom's small and medium enterprises (over 90 percent of all businesses) into dynamic, internationally competitive firms. It is particularly important to encourage growth in private sectors of the economy to seize the opportunity presented by trade liberalization agreements with the United States and the European Union.

As a development partner, the U.S. will target the following results:

Enhanced capabilities of the Jordanian workforce: Jordan's key economic resource fueling long-term growth is its people. High literacy and education rates position Jordan as a regional leader in information and communications technologies (ICT), which has the potential to be a major source of exports. Further, Jordan's demographic characteristics highlight the importance of expanding initiatives to create a skilled and adaptable workforce, particularly among those Jordanians who are now in the 10-24 year old age group. With the low level of women's participation in the workforce, a key factor of these initiatives will mean increasing employment opportunities for women to help reduce the effects of poverty. Also, increased linkage of formal education and vocational training programs to jobs, mainly for men but also for women, to decrease the unemployment levels will be addressed within this sector. In these efforts, there will be close coordination with the Social Sector Development and Governance SO in education initiatives. The United States will assist in this endeavor by seeking the following lower level results:

- Support GOJ efforts to respond to private sector needs for technology infrastructure and new policies in support of new and existing demand-driven information and communication technology industries/sectors.
- Provide technical assistance and training to support GOJ efforts to modernize its infrastructure and service efficiency.
- Work with the GOJ and the private sector to identify current and projected geographic and sectoral skills demand, disaggregated by gender.
- Assist the GOJ, NGOs, and the private sector with the creation of gender-focused training-to-job information networks.
- Target women as recipients for ICT training.

- Encourage NGOs, government, and the private sector to set gender quotas, if appropriate, for skills training and employment/promotion opportunities.
- Advocate the employment of women in traditionally male occupations.

A more competitive productive private sector: Creating a competitive private sector focused on efficiency, productivity, and regional integration is critical to achieving equitable economic growth. The creation of sector clusters will help reach this goal by increasing efficiency, productivity, innovation, and regional trade. In this area, USAID activities will seek to accomplish the following:

- Support efforts to develop sector clusters where conditions for success are present.
- Create linkages between manufacturing, exporting firms, and the small- and medium-sized Jordanian firms that can contribute to the supply chain structure necessary to support companies in the Qualifying Industrial Zones (QIZs), Special Economic Zones (SEZs), and internationally competitive industries.
- Enhance the capacity of sectoral business associations to communicate among members and to advocate interests to policymakers in Amman.
- Facilitate commercial financing and technical assistance for micro-, small-, and medium-sized firms, including firms owned by women.
- Ensure the legal and regulatory framework is sufficient to facilitate growth of small- and medium-sized firms, including firms owned by women.

Increased capacity of firms to capitalize on the Free Trade Agreement and Other Trade Agreements: Helping firms of all types to capture the opportunities available through Jordan's trade agreement with the United States is critical to achieving Jordan's development goals. In fact, Jordanian growth during the last two years of the previous strategy period relied almost fully on the ability of the private sector to capitalize on trade opportunities. Specifically, increased trade with the United States was a stabilizing factor in maintaining growth despite regional uncertainties.

Recognizing this situation, USAID activities will seek to accomplish the following:

- Assist with the further development of demand-driven industries.
- Advocate the creation of policies and laws that enhance competition.
- Facilitate private sector adoption of practices that enhance competitive advantage, including clustering, technology innovation, information technology linkages, small business networks, and business association development.
- Provide technical assistance to demand-driven, competitive industries, including management and human capacity development, skills training to employees, accounting and business processes transparency, export and import linkages and business practices, and capacity of local firms to understand and adopt key ISO standards for quality and the environment.
- Provide technical assistance to small- and medium-sized firms to meet trade framework requirements and take advantage of the new trade regime.
- Facilitate commercial financing for companies in internationally competitive industries.

Modernized financial and capital markets: Improving the efficiency and accessibility to private capital for the burgeoning private sector is critical to sustaining growth and productive capacity. USAID assistance will focus on the following objectives:

- Advance policies and laws that build on previous USAID work in the sector.
- Assist the government in changing its existing debt financing structure to a more tradeable and more widely available government treasury bill structure.
- Work with private companies and financial institutions to continue the momentum to introduce IPOs and corporate bonds to the market.
- Facilitate commercial financing, including the diversification of bank and non-bank loan products, for micro, small, and medium-sized firms, including firms owned by women.
- Promote linkages between banking institutions and MFIs to facilitate skills sharing and sustainability of lower-end financial products.
- Work with key financial and capital markets institutions to introduce more advanced financial instruments to the market, including tradable mortgages, securitization tools, various securities mechanisms (e.g., mutual funds, futures, swaps), and tradable debt portfolios.
- Develop strong systems for financial market regulation, including money-laundering.

Stronger entrepreneurial culture throughout the country: Capitalizing on economic opportunities by individuals requires an ability to think creatively, an understanding of market forces, and a desire to participate in a dynamic environment. To that end, USAID will seek to accomplish the following:

- Provide entrepreneurship training and technical assistance to urban and rural populations, including women and the disadvantaged.
- Support the development of sustainable business development services (BDS) programs, particularly in sectors supporting backward linkages.
- Continue technical assistance to microfinance institutions to facilitate operational and financial sustainability and new product lines for the poor.

Fully privatized state-owned enterprises: It is critical to continue the momentum for privatizations to ensure greater private sector participation in economic growth. In this area, USAID activities will seek to accomplish the following:

- Maintain support for the GOJ's Executive Privatization Unit's efforts to privatize state-owned companies.
- Support continued efforts to link antitrust regulations with privatization awards.

Greater rural participation in economic growth: Much of the economic gain achieved by Jordanians has been concentrated in the cities. Rural communities also need to capture the benefits of economic growth. The best approach to achieve this goal is to utilize the existing socio-economic framework already existing in villages. Importantly, allowing rural Jordanians to participate in the broad-based economic growth also contributes to political stability. Co-programming of proceeds from the

government sale of U.S. food assistance will also support this effort. Hence, USAID will work to achieve the following:

- Expand existing and future programs to include rural development.
- Expand competitiveness concepts, particularly forward and backward linkages, to SMEs beyond the QIZs and Amman.
- Create networks linking productive private enterprises with job seekers, including newly-graduated women and those from rural areas.
- Support demand-driven skills development in rural areas.
- Enhance the capacity of rural business associations and public-private partnerships.
- Work with the GOJ and the private sector to identify geographic and sectoral areas of skills demand.
- Assist the GOJ, NGOs, and the private sector with the creation of job information networks and demand and supply databases.
- Encourage the creation of village networks to improve access to public services, public management, and economic opportunities.
- Enhance development activities in the Aqaba Special Economic Zone as the “growth pole” for southern Jordan, one of the nation’s poorest regions.

STRATEGIC OBJECTIVE: IMPROVED SOCIAL SECTOR DEVELOPMENT AND GOVERNANCE

Background & Strategic Purpose

Between 2004 – 2009, USAID/Jordan will develop a series of programs to improve the health status of Jordanians, expand relevant educational opportunities for children and youth, and promote improved governance in the Kingdom. In partnership with the GOJ, other donors, and other USG agencies, USAID/Jordan will address these important prerequisites for improved social and economic development through activities that focus on enhancing the delivery of maternal/child and other primary health care services, improving early childhood, secondary, and school-to-work education, and promoting improved systems of governance and an expanded role for civil society in public decision-making.

Due to the close relationship between the three IRs under this objective, USAID will explore synergies or direct linkages among on-going and proposed programs to maximize impact. For example, the Jordan Demographic Health Survey of 2002 documented a link between the health status of Jordanian children and the educational levels of their mothers. Other studies have found that investments in health strengthen the economy, bolster education, and support the GOJ's goal of improved quality of life for all Jordanians. Hence, programming will be integrated throughout all IRs so that important messages about health, education and citizen participation (governance and empowerment) are mutually reinforcing. Reporting under this Strategic Objective will be by intermediate result and each IR team will have a separate performance management plan.

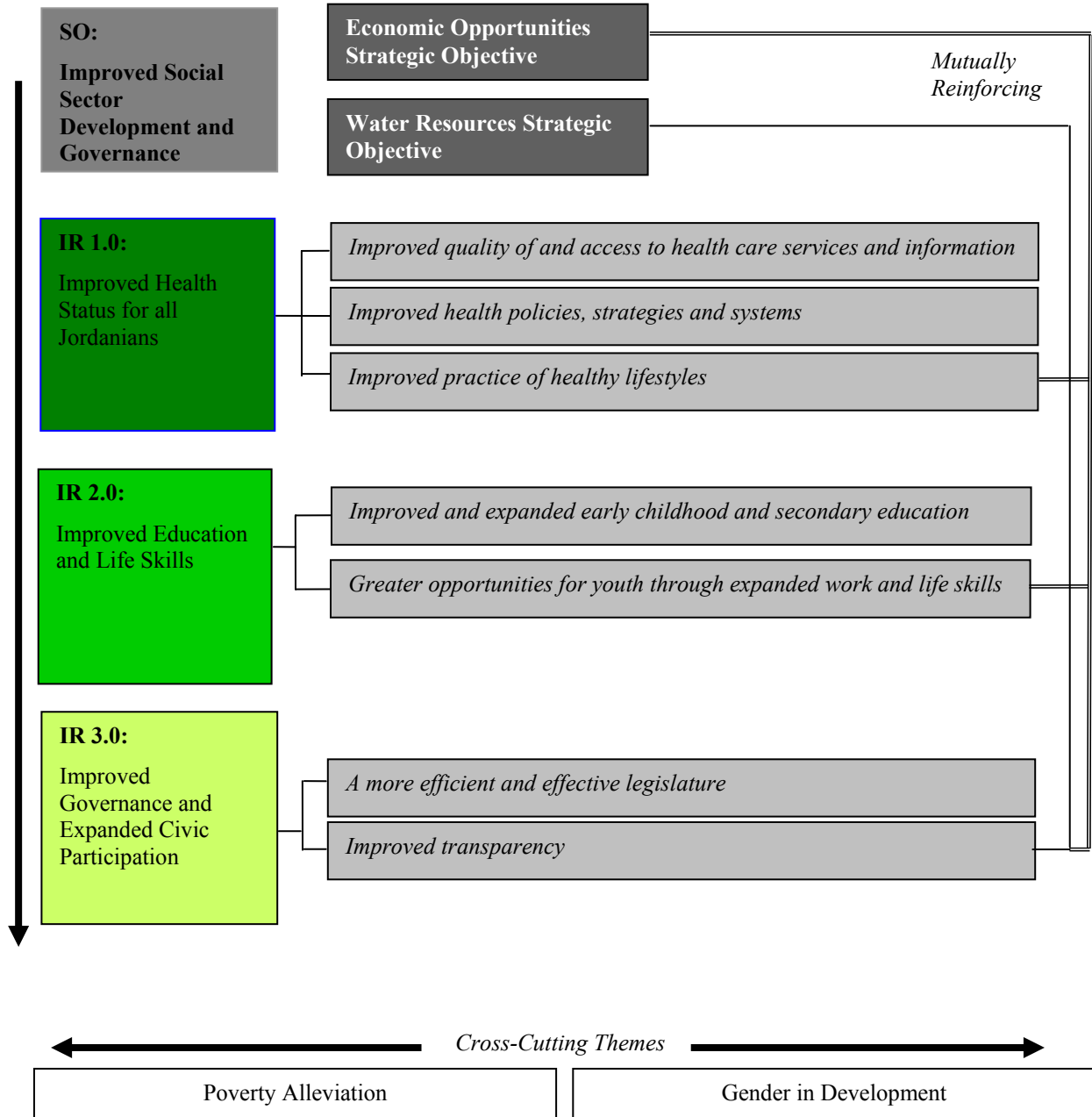
Gender issues are fully mainstreamed under this objective. Due to the nature of the development challenges under this objective's three intermediate results, Jordanian women will likely represent the primary beneficiary group. For example, USAID/Jordan's primary and reproductive health care activities directly support the health care needs of Jordanian women through improved access to information on family planning, enhanced pre- and post natal care, and higher quality post partum care.

In the area of democratization and improved governance, USAID programming will address the special needs of women and ensure that improving the status of women in Jordan is a key priority. USAID programming in this sector is planned to improve the ability of female parliamentarians to perform their role in the recently elected legislature, and ensure that the status of Jordanian women improves through greater advocacy by non-governmental organizations. Through these two initiatives, opportunities for women to participate in the decision-making process should increase.

Further, through curriculum development and teacher training, USAID will address the special needs of girls, recognizing the barriers to girls' education and employment. USAID/Jordan's planned education and youth activities will improve the status of

women and girls by facilitating increased female participation in the labor market through the acquisition of relevant work skills (such as information technology), improved critical thinking capacity, and incrementally greater levels of already-impressive rates of female literacy.

Improved Social Sector Development and Governance: Strategic Orientation



Intermediate Results

The following intermediate results and sub-results depict the Mission's planned efforts in improving the social sector and governance in Jordan:

IR 1.0: Improved Health Status for All Jordanians

Background & Strategic Objective

Under USAID/Jordan's Improved Health Status for All Jordanians Intermediate Result, the Mission, in cooperation with the GOJ, will broadly support health sector reform, improved primary and family planning and reproductive health care services at public, private and non-governmental health facilities, and greater awareness of healthy lifestyles. It is expected that the majority of this IR's resources will be allocated for programs that directly improve the health and social status of women and youth.

USAID has been a leading donor in the health sector for many years, working closely with the GOJ and other donors to improve the delivery of health care services in the Kingdom. Nonetheless, Jordan still faces daunting challenges to maintaining past gains and improving future service delivery. Jordan's stubbornly high fertility rate and high maternal/child mortality and morbidity rates threaten to counteract advances made in other economic and social sectors. Fortunately, due to the GOJ's existing policy on HIV/AIDS prevention coupled with conservative social norms, the AIDS epidemic is not expected to pose a significant threat to Jordanians during the next five years. Although the GOJ has committed to a sustained emphasis on improving the quality and availability of family planning and other maternal child health and primary care services, other, more "modern," challenges to ensuring the health and productivity of the Jordanian population have begun to emerge. These challenges include the significant increase in the rate of chronic diseases. For example, the "Behavioral Risk Factor Surveillance 2002," a household survey of 8,791 persons over the age of 18 years of age, found that 190,000 Jordanians under 18 years of age have diabetes; 650,000 have hypertension; 610,000 have high cholesterol; 1,320,000 are overweight or obese; 1,380,000 have no moderate or vigorous activity per week; and 870,000 are currently smoking everyday or some days. These are disturbing findings for a modernizing country with a population of only 5.2 million. These chronic or 'lifestyle' diseases have begun to take the place of infectious diseases as the leading causes of morbidity and mortality in Jordan today – threatening to dramatically increase the amount of resources Jordan invests in curative services in the future. Within the 2004 – 2009 timeframe, USAID will supplement its maternal and child health focus with selected initiatives to improve the capacity of the Jordanian health system to treat and prevent chronic diseases.

Given the situation above, Jordan faces several key constraints, which include large family sizes, less than fully functional public health systems, a significant unmet demand for high quality maternal child health care information and services, and a significant increase in the prevalence of chronic diseases. Importantly, Jordan's high fertility rate – although on the decline due to sustained family planning efforts by the public, private and

non-governmental sectors with USAID assistance – threatens to outstrip Jordan’s economic and natural resource bases at a quicker pace than most other countries in the region.

Between 2004 – 2009, USAID/Jordan, in partnership with the Ministry of Health (MOH), will continue to support programs that improve the health care system in Jordan with a strong emphasis on family planning and maternal and child health services. By the end of 2009, it is expected that USAID programs will have contributed significantly to a 20 percent decrease in Jordan’s fertility rate (from the current 3.7 to a projected 2.9 children per family). In tandem with activities that strengthen the delivery of maternal and child health services, USAID will work to improve important health indicators such as life expectancy, infant mortality, and morbidity – working at all levels of the health system, but especially at the local level where health care workers interact the most with citizens. USAID will also begin to work closely with the GOJ to better integrate on-going primary health services strategies and programs that prevent and treat chronic diseases.

More specifically, over the next five years USAID will work in the following three sub-areas to improve the health of all Jordanians:

Sub-Result 1.1: Improved Access to and Quality of Health Care Services and Information

Due to the lack of high quality health services in the Kingdom, USAID/Jordan will continue to improve the quality of family planning and primary health care information and services for all Jordanians – with a strong emphasis on providing assistance to the poorest/most underserved elements of the population and youth. Specifically, between 2004 – 2009, USAID will support programs that rehabilitate health facilities, train health care workers, computerize management systems, and implement new national-level administrative and systems protocols.

The Mission will focus resources on improving the quality of services provided by MOH facilities -- the dominant service provider to the poor. USAID will also work with private sector health service providers to expand community outreach and introduce public-private partnerships to expand reproductive health services. In this area, assistance will be provided to expand the quality assurance systems of private providers, expand private sector provider networks, and strengthen the coordination between public and NGO health providers.

Finally, under this sub-result, it is envisioned that USAID will complete its support to the Jordan Association for Family Planning and Protection (JAFPP), the major family planning and reproductive health non-governmental organization, in order to ensure institutional, programmatic and financial sustainability. By doing this, USAID will ensure that a key provider of high quality family planning information and services remains accessible to all Jordanians. Other, non-JAFPP, family planning and reproductive health efforts will be supported during this strategy period.

Sub-Result 1.2: Improved Health Policies, Strategies and Systems

The Jordanian health sector is generally characterized as inefficient and lacking the strong administrative and regulatory capacity required to provide high quality services consistently to its population. To address these challenges, USAID will assist the GOJ to adopt a more competitive legal and regulatory framework for the health sector, and improve important national and sub-national management systems. The GOJ, although an advocate for reform in this sector, does not have the resources or expertise to undertake the changes needed.

USAID assistance will also complement the GOJ's public commitment to policy reform by helping it better assess new policies and assist in their implementation. Specifically, USAID will work with the public, private and non-governmental sectors to amend the regulatory and legal framework in the health sector in order to make it more competitive – encouraging competition, efficiency, and quality.

Additionally, USAID will undertake a number of other activities building upon existing initiatives. USAID will support improvements in the MOH's disease surveillance system. Support will also be provided to expand health insurance for the poor and uninsured, decentralize the MOH hospital system, improve monitoring systems, and strengthen accreditation principles for health care workers. USAID will improve key management systems, such as referral and patient flow and promote improved maintenance and hygiene for health facilities.

Sub-Result 1.3: Improved Practice of Healthy Lifestyles

USAID will support the development of a national health communication strategy with activities that uses a life-stages approach (early childhood, youth and adolescents, pre-marriage, young marries, etc.) through mass media and other channels – helping improve awareness and decision-making across an array of health topics. A recent study by UNICEF reported that many Jordanians do not fully understand the benefits of a “healthy” lifestyle, especially youth and people suffering from chronic diseases. Other groups will benefit from USAID programming in this sector, including women and men of reproductive age and the underserved who suffer from chronic diseases. Greater levels of public information will better inform their decision-making on health-related topics. Programs under this sub-result will have a special focus on increased use of modern family planning methods, healthy life style promotion, the prevention and control of chronic diseases and high risk health behaviors, including HIV/AIDS, and increased male involvement in family planning.

IR 2.0: Improved Education and Life Skills

Background & Strategic Purpose

Under Intermediate Result 2.0, USAID will support a multi-faceted program to improve and expand access to early childhood and secondary education and the development of

life skills for youth. USAID programming will also work to address the societal and institutional barriers that negatively impact girls' and women's educational opportunities. In particular, this Intermediate Result is designed to improve the performance of Jordan's formal educational system by improving the quality and relevance of curriculum, enhancing teacher training, promoting the adoption of standards/accreditation within the public school system, expanding community empowerment, and promoting digital readiness.

USAID's education reform program in Jordan will directly support the achievement of the Agency's goal of "Improved Education and Training" and MEPI's vision for improved education in the region.

Jordan invests 13 percent of public expenditure on basic and secondary education. The total enrollment rate for basic education is 90 percent and decreases to 70 percent for the secondary cycle. Male enrollment is nominally higher in early childhood and basic education. Female students, however, comprise 55 percent of the secondary education population.

Although Jordan has one of the highest female literacy rates in the region (82 percent), females are often directed into generalist streams. This situation deprives girls from taking part in learning that will serve them in the workforce. It also creates significant gaps in future employment and income as compared with their male peers. Further, although parents value education, economic hardship sometimes forces them to remove their daughters from the educational system at an early age – in many cases to care for younger siblings. This practice negatively impacts female participation rates and ensures a life of economic and social challenges for affected women.

Public university education is highly subsidized by the government and admission to public universities tends to be more competitive than at the community college level. Also, admission is generally restricted to those with the highest scores on the General Secondary School Certificate Examination or Tawjihi, an outdated exam used to determine the future career direction of students. As a result of the importance of this exam, the education system in Jordan has become distorted with success on the Tawjihi outweighing preparation of students for the challenges of today's modern work place.

In July 2003, the GOJ launched the Education Reform for the Knowledge Economy (ERfKE) initiative. This five-year, \$380 million program is one of the most ambitious education reform programs in the Middle East and North Africa region to date. The goal of Jordan's education reform program is to re-orient education policy, restructure education programs and practices, improve physical learning environments, and promote learning readiness through improved and more accessible early childhood education. USAID, in coordination with the GOJ and eight other donor nations and multi-lateral organizations, will provide \$14 million during this strategy period to support reform efforts through ERfKE.

The information above underscores the many problems of the Jordanian educational system. Issues of quality and relevance have led to a significant mismatch between the labor market and the skills and education of graduates. In Jordan's labor market, increasing numbers of secondary school graduates are unemployed, while the economy as a whole suffers from chronic shortages of well-trained middle-level technicians and skilled laborers. In addition, the prevailing approach to teaching in Jordan centers around rote memorization – a method that displaces educational opportunities necessary for developing valuable critical thinking skills. Further, Jordan's educational system provides only limited access to early childhood education (ECE) and poorly trained teachers who do not have requisite skills or the practical experience to teach in classroom settings. The current system of pre-service and in-service training, necessary for improving and standardizing teaching methods and sector-specific expertise, is inadequate and does not meet the challenges of preparing students for the modern work place.

To address these challenges, from 2004 through 2009, USAID will assist the GOJ to reform its public education system by supporting programs that help develop curriculum, train teachers, and establish a standards and accreditation system that ensures high quality, consistent, and competitive educational opportunities for Jordan's children. Apart from support for activities linked to the GOJ's ambitious ERfKE program, USAID will also provide support for programs that improve life and work skills for youth, specifically in rural and marginalized areas of the Kingdom.

To do so, USAID will work in the following two sub-areas:

Sub-Result 2.1: Improved and Expanded Early Childhood and Secondary Education

Currently, Jordan has three public kindergartens alongside more than 2,500 private ones. Clearly Jordanians understand the benefits of ECE in preparing their children for the challenges of the formal educational system. However, since Kindergarten (KG) learning is not yet mandatory in Jordan, few public resources exist to support it in a broad or comprehensive manner. However, ECE programs have been shown to increase school enrollment rates, improve student performance, and positively affect a range of long-term social and economic indicators. ECE has also proven to be a strong catalyst for poverty alleviation due to the opportunities it creates for women who wish to enter the labor market and can work during their children's school hours.

Between 2004 – 2009, USAID will support the equipping and furnishing of Ministry of Education KGs, raise public awareness on the importance of early childhood and secondary education, standardize professional development of early childhood and secondary education instructors through training and accreditation, develop modern and relevant early childhood and secondary education curriculum, and establish a system of continual monitoring and evaluation to assess curriculum and professional teaching standards.

Sub-Result 2.2: Greater Opportunities for Youth Through Expanded Work and Life Skills

Due to the incongruence between the outputs of Jordan's educational system and the skills required by private sector employers, a significant number of adolescents, especially girls, do not have the skills necessary for participating successfully in Jordan's increasingly competitive labor market. In fact, a national survey carried out in 2001 by UNICEF on Jordanian youth showed that, among other things, youth in the Kingdom see limited opportunities to achieving economic self-reliance in the future. This finding is not surprising given that one quarter of the unemployed in Jordan are between the ages of 17 and 22. So, despite a strong demand for skilled and managerial employees, youth in Jordan are not able to acquire the skills necessary to avoid poverty.

To address the challenges facing youth in Jordan, USAID will support activities that build the capacities of adolescents in the areas of entrepreneurship, leadership, information technology (IT), and other life skills. For example, between FY 2004 – FY 2006, USAID, through a grant to UNICEF, will support the development of a national youth strategy for Jordan and develop programs designed to increase opportunities for youth and promote the acquisition of leadership, IT, and life skills.

Additional activities designed to promote digital readiness and life skills will be developed by the Mission for 2004 - 2009, including support for young leadership activities, school-to-work training, and IT certification.

IR 3.0: Improved Governance and Expanded Civic Participation

Background & Strategic Purpose

The Mission, in cooperation with the GOJ and USG agencies, will support the development of a more effective and accountable system of governance in Jordan. Activities carried out under this IR will relate directly to the Agency's goal of *building democracy* by increasing citizen participation, expanding the role of civil society, increasing the flow and diversity of information to citizens, and strengthening selected democratic institutions.

In particular, this IR will respond to GOJ initiatives to improve governance at the national and local levels by strengthening the analytical and administrative capacity of the recently elected Parliament, promoting a freer environment for the media, improving transparency within the GOJ vis-à-vis public expenditures, and expanding the role of civil society in public decision-making.

Improved governance and the Mission's other objectives are mutually supportive. Effective governing institutions and practices are essential for facilitating sustainable economic growth, improving and expanding health services, properly managing water resources, improving civic education, and enhancing the status of women.

Of special note, activities supported by USAID under this IR will share three cross-cutting themes, all of which are included in the major initiatives announced by King Abdullah during his recent trip to Washington, D.C. — women’s empowerment, strengthening independent media, and civil society development. These themes are central to both the success of this IR as well as to achieving U.S. national interests in the region as articulated by President Bush in his June 2003 speech on the Middle East Partnership Initiative (MEPI).

In his recent state visit to Washington, D.C., His Majesty released a paper on the direction of the government, political reform and the role of women to NGOs in the U.S. USAID will endeavor to support the King’s major new initiatives regarding freedom of the press, expanding the role of women, and strengthening civil society to assist in reaching his dynamic vision.

To date, the GOJ has not made the same strong gains in liberalizing Jordan’s political system that have been realized in economic reform. As a result, the majority of Jordan’s citizens report a sense of political isolation as documented in a July 2003 poll by the University of Jordan’s Center for Strategic Studies. Many reasons exist for this situation. Consultation by the GOJ takes place in an ad-hoc manner and generally does not extend beyond a small circle within the ruling elite and its private sector allies. Democratic institutions such as the Parliament and the courts do not yet have the technical and analytical capacity to govern in an efficient and responsive way. Furthermore, the role of the media is limited as the GOJ constricts the flow of information to the public domain. Finally, Jordanians and many international investors perceive wide-spread corruption as endemic in the GOJ – retarding investment and diminishing public support for the GOJ’s on-going program of structural adjustment.

In November 2002, the GOJ launched Jordan First – an initiative designed to promote political openness and expand the role of civil society in public decision-making. Under Jordan First, King Abdullah articulated his vision for a more responsive and accountable government through a more effective Parliament, greater levels of public accountability, a more free and open media, greater civic participation, expanded civic education, and a more efficient judiciary. As stated by His Majesty in Washington, D.C., in September 2003, “The issue of political reform will be a key part of our future development process, and one that will have my personal attention.”

Jordan faces challenges to implement the King’s vision. Many of Jordan’s key democratic institutions and civil society organizations have inadequate technical, organizational, and policy skills to effectively perform their respective roles in a competitive, efficient, and responsive way. Further, the role of the media is limited due to a system of self and de facto censorship. To address these challenges, other donors are providing significant support to civil society organizations to improve their technical and analytical capabilities, expand their role in public discourse, and protect human rights. In more detail, six other donors are implementing activities aimed at supporting local civil society organizations. Programs funded by the Norwegian, British, Swedish, and Dutch Governments promote greater levels of public participation and the protection of human rights. Between 2003 – 2005, the Government of Canada will support its Human

Security Center in Amman which provides a focal point for bringing together experts from the government, NGO, and academic sectors in order to facilitate the sharing of information on the issues of human rights, gender, and democracy in Jordan and the region. In addition, between 2003 – 2006 the European Union will support a small grants program aimed at promoting human rights and democratization through local and international non-governmental organizations. This 3 million Euro (\$3.25 million) program will strengthen the capacity of civil society organizations, raise public awareness of democratic principles and human rights, promote the freedom of expression and independent media, encourage the improvement of the legal system, and strengthen women's, children's and youth rights through greater participation of these marginalized sectors.

As the largest donor in this sector, USAID will complement other donor activities by increasing the participation of civil society in public decision-making, strengthening the legislative and public policy capacity of the Parliament, and promoting transparent systems of resource allocation and use in selected GOJ bodies. Assistance will also be provided to address the limited role of the media and improve the skills of journalists to help implement the King's desire and stated major initiative involving "freedom of the press."

Gender considerations are very important throughout this SO and specifically this IR. The Jordanians have expressed an interest in involving women in governance and addressing issues of importance to women. His Majesty specifically targeted on expanded role for women in the decision-making process under his new initiative, and USAID will work to support this effort.

Sub-Result 3.1: Legislative Strengthening

In direct response to requests received by a number of Members of Parliament (MPs), for 2004-2009, USAID will work with the GOJ, civil society organizations, and the media to strengthen the capacity of Parliament to fulfill its three core responsibilities: legislation, oversight, and representation. Specifically, USAID will work to increase the technical skills of MPs and key legislative staff as well as engage in activities designed to strengthen the institutional capacity of the Parliament as a whole. USAID will also strengthen the abilities of key non-governmental organizations (NGOs) to engage in the policy-making process. As well, USAID will strengthen the capacity of the press to responsibly report on issues of parliamentary process and technical issues being debated in Parliament. Based on inquiries from MPs, the Mission will engage in the following illustrative activities, including: technical training for MPs, including female MPs, on issues such as budget and finance, health, education, the environment, women's issues; increasing the capacity of committee staff to support the legislative process; strengthening the ability of NGOs, including women's advocacy groups, to engage on substantive policy issues and represent constituent interests before Parliament; and building Parliament's research capacity.

Sub-Result 3.2: Transparency

USAID will work with the GOJ, civil society stakeholders, and the media to raise public awareness about the costs of corruption and the need for transparent processes of resource allocation and use in the GOJ. These activities will directly support the broad-based economic reforms initiated by His Majesty that are taking place in the Kingdom and serve as a catalyst for increased foreign investment in Jordan.

USAID assistance, in coordination with GOJ and other Jordanian counterparts, will identify specific mechanisms through which corruption may be curbed, and encourage cooperation between selected government institutions, civil society actors, experts, and the media. This cooperation will facilitate a sharing of expertise and knowledge about corruption and initiate pilot projects to reduce it. Illustrative activities that will specifically address such corruption include: creating a network of anti-corruption reformists with organizations such as Transparency International, Arab Archives Institute, al Quds Center, Center for Strategic Studies, Chambers of Commerce, Young Presidents Organization, and the print and electronic media. USAID will also work with the Audit Bureau and key GOJ ministries (e.g., water, health, education, finance) to strengthen the GOJ's ability to identify corruption and reduce it. Additionally, assistance may be provided to the GOJ's Higher Media Council or other body to promote change within the media sector so that a freer and more enabling environment is developed. This environment would allow the media to play a strong role in investigating corruption and promoting public sector accountability. Complementary to this initiative, USAID will support activities that measure and publicize the degree of press freedom and independence in Jordan.

Linkages with Regional Programming and other USG Initiatives

USAID's DG program will be complemented by existing and anticipated Middle East Partnership Initiative (MEPI) regional programming in the areas of rule of law, civic education, political party and platform development, and women's rights. Programs will be coordinated so that USAID-funded programs focusing on parliamentary development and transparency will contribute as much as possible to the results achieved by MEPI-funded activities in the areas listed above.

In addition to MEPI programs, USAID's DG program will also be complemented by the activities planned under the Department of State-USAID Interagency Agreement (IAA) awarded in March 2003 and implemented by Embassy Amman's Public Affairs Office. Activities under this IAA span the areas of civic education, rule of law, political party development, parliamentary and journalistic training, youth, and women's rights. Other Department of State programs such as International Visitors (IVs) and Speakers Programs will also continue to operate in Jordan and promote democratic system development and improved governance.

STRATEGIC OBJECTIVE: ENHANCED INTEGRATED WATER RESOURCES MANAGEMENT

Background & Strategic Purpose

As a result of an arid climate and a shortage of surface water supplies, Jordan is one of the ten most water-deprived countries in the world. Available per capita fresh water lags far behind that available in most other countries. Daily per capita water consumption rate is quite low. Since water is necessary for both human and economic development, this extreme water scarcity will clearly continue to be a very serious constraint to Jordan's economic growth.

Over the past two decades, the Ministry of Water and Irrigation (MWI) has realized important gains in addressing the challenge of satisfying the rapidly growing demands of communities, industries and farmers, all in the face of a very limited natural supply of water and regional unrest that resulted in influxes of refugees. Nonetheless, the challenges are still enormous and hard decisions ought to be made. Thus, water sector institutions must be further strengthened to establish a water sector that is efficient and financially viable.

Currently, readily available freshwater supplies are fully utilized. All new water supply sources are expensive to build and operate as energy costs are expensive and currently constitute the second largest expense in the Water Authority of Jordan (WAJ) budget. Accordingly, once operational, the total cost of the water supplied into the system will rise considerably as these sources become larger and larger percentages of the total supply. This rise in costs will accelerate over time and have a significant impact on the overall financial status of the sector, necessitating either a substantial government subsidy to the sector or significant water tariff increases.

In the coming years, the MWI foresees an ever-increasing gap between water supply and demand. The current deficit is forecasted to increase from 297 to 408 million cubic meters (MCM) per year. This dire forecast is predicated on sharply rising demand for municipal and industrial water from 466 to 758 MCM in 15 years and an increase from 791 to 900 MCM in the demand for irrigation water over the next five-year period. This deficit would occur even though an impressive construction program of conventional water collection and distribution facilities is planned.

To mitigate this problem, one major potential project, which is currently being heavily campaigned for by the GOJ, is "the Red Sea-Dead Sea Peace Conduit." The government hopes to get international support for building this multi-billion dollar project that will provide about 850 million cubic meters of fresh water annually to the three regional constituents, namely Jordan, Israel and the Palestinian Authority. This project, taking approximately 15 years to complete, also has high operational costs that will raise the cost of the freshwater in the water system even further, additionally burdening the sector's financial situation.

As these expensive water supply sources are discussed and developed, technology choices must take into consideration the long-term financial impacts associated with these technologies. Likewise, more emphasis should be placed on the management of the resources available. To date, scarce water has been treated as if it were abundant. Hence, water prices have been minimal and demand excessive. Jordanian citizens must be aware of these facts and stakeholders in the new realities.

Efficient water allocation is also a problem. Two-thirds of the country's water goes to low-value agricultural crops. While irrigation and agricultural projects have a social dimension that is recognized by the government and donors, the cost to the nation is very high and the return on investment rather low. And, low prices for irrigation water provide limited incentive to improve irrigation efficiencies, even though the combination of large volumes of water used and the low efficiency level make a prime target for implementing improvements. Unfortunately, the higher value needs of urban consumers, industry and tourism go unmet. Although the MWI and the GOJ have approved a National Agriculture Strategy as well as water allocation and protection policies, implementation needs to be accelerated. If implementation of the agriculture strategy proceeds in a constructive manner, the Mission could provide assistance for the agriculture sector due to the substantial impact it will have on the Kingdom's water resources.

Another important issue is that about half of the water supplied to the municipal sector is unaccounted for due to physical and administrative factors. As a result, expensive and limited potable water is wasted, burdening GOJ finances and limiting municipal supplies. This problem exists despite recent efforts to develop new water resources and increase pumping from the Jordan Valley to Amman. As a result, the 1.5 million residents of the capital city receive less than 100 liters of water per person per day. Depending on the zone in which they live, they receive their entire weekly supply in only one or two days. The situation for most people living in communities outside the capital is little better. This crisis can only worsen as the total amount of economically available water resources levels off and the population rapidly grows, while Jordanians expect a higher standard of living, including plentiful water supplies. Therefore, the Mission will stress reduction of unaccounted for water as a top priority.

Wastewater treatment offers one solution. Currently, roughly three percent of rural areas have access to wastewater services. Coupled with the anticipated growth in wastewater generated by the municipal and industrial sectors, major expansion of existing wastewater collection systems and treatment plants will be required. If properly planned, wastewater effluent generated by these plants can augment agricultural water supplies and free much needed fresh water for municipal use. Community involvement in planning and reuse will lead to economic and environmental benefits.

Lately, the GOJ has been active in pursuing measures to protect Jordan's most valuable natural resource. The newly issued groundwater by-law is a revolutionary measure that, if properly enforced, will have a profound effect on the protection of the Kingdom's

groundwater aquifers. Irrigation efficiencies and reuse of reclaimed water is gaining momentum as a means to improve the lives of rural communities without augmenting their water supplies. Another avenue pursued by the MWI is expanding sewage services to small rural communities, which protects the watershed, promotes reuse for income generating activities, and improves living standards.

In the past five years, USAID, the leading donor in the water sector, has provided a mix of construction activities, technical assistance and institutional strengthening. Due to these efforts, significant progress has been achieved in the water sector, including policy reform and training. USAID also pioneered water demand management and reuse of reclaimed water for agriculture and industry. All of these efforts have not only demonstrated to the GOJ the positive impact of these measures on the water situation, but have also positively affected over four million Jordanians through improvement of resource utilization efficiency, water sector infrastructure, production of high quality reuse water for agriculture and industry, conservation, and improved water management.

In addition, Jordan is situated geographically in a severely water-deficient region. There have been several bilateral agreements between Jordan and its neighbors involving the allocation of waters running across borders. However, these countries also have increasing demands for water. Therefore, many of the key underlying resource and allocation issues must be viewed through a regional lens. In this regard, the Mission will track several important regional issues throughout the strategy period. Those issues include: (1) equitable use of water resources regionally; (2) regional mitigation of water issues; (3) possible increased pressures on this resource due to political realities (e.g. refugees from Iraq, final status of Palestinian refugees, etc.); and (4) Dead Sea water surface stabilization. If capital project funding from outside the Jordan bilateral program becomes available, the Mission will be involved in regional activities.

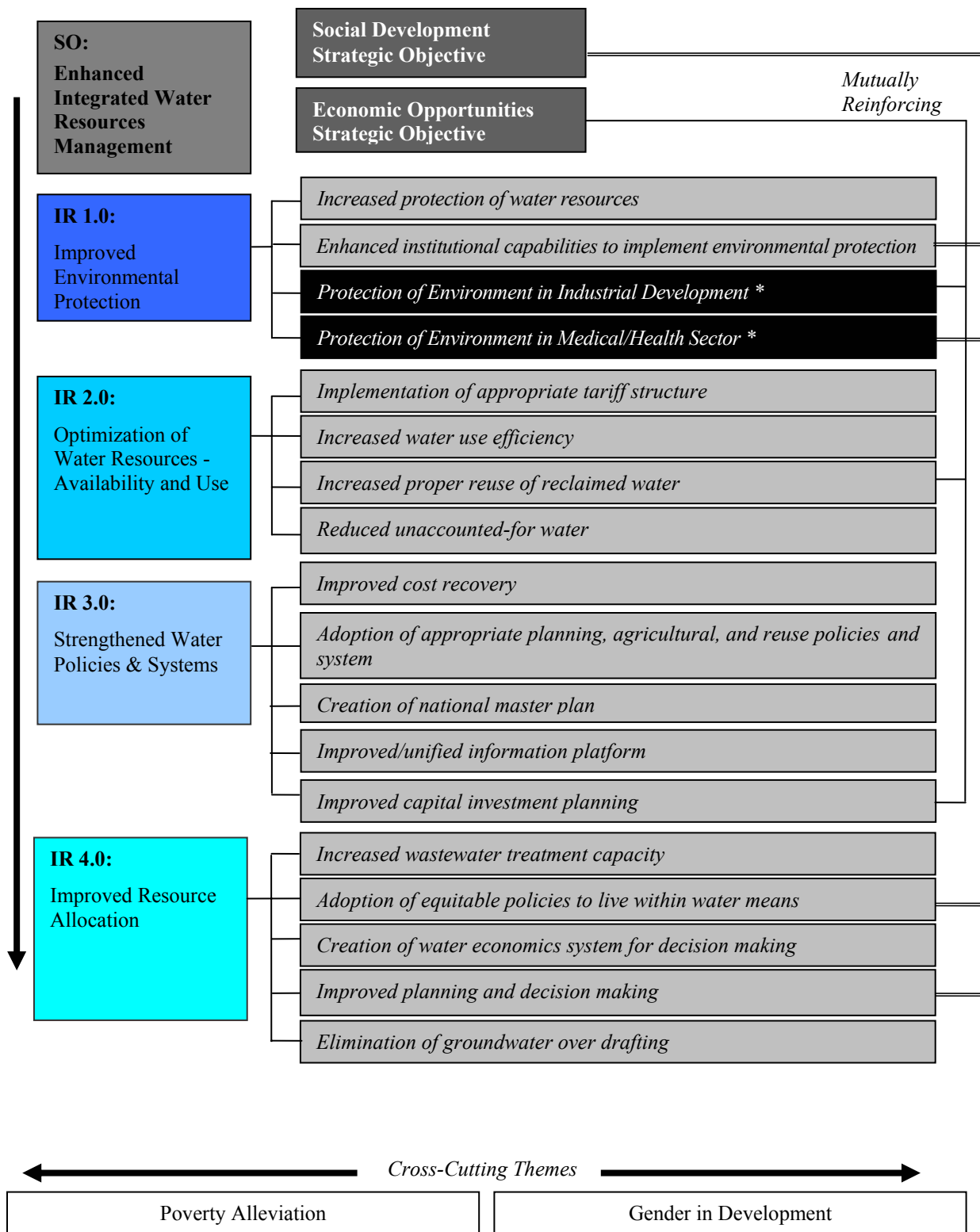
It is important to mention that population pressures, poverty, industrial development, and water pollution are serious threats to the environment of Jordan, the health of its people and its economic development. Although responsibility for the stewardship of the environment will be a theme carried through the USAID portfolio, the Water Team will lead the effort to coordinate and support programs aimed at the protection of both surface and groundwater supplies, environmental management and institutional strengthening.

Finally, Jordan has made great strides during the past few years in developing its economy and establishing the country as an economic hub. More ambitious plans for the future are underway. With a proactive leadership, educated citizens and the will to succeed Jordan stands a good chance. The major impediment seems to be the availability of the needed fresh water supplies.

During the next strategy period, the Mission will continue efforts in areas that are most critical to establishing adequate water resources for Jordan in the future: policy reform, cost recovery throughout the water sector, repair of water distribution systems, reuse of effluent, wastewater treatment facilities, public education, water-use efficiency and demand management. New activities that will be incorporated into the portfolio include

groundwater management, irrigation efficiency, economic use of water and private sector interventions, including possible DCA/GDA funding mechanisms. Overall, this two-track approach to the sector not only will generate new water supplies to meet the growing demand, but also will encourage more cost-effective water use in all sectors.

Enhanced Integrated Water Resource Management: Strategic Orientation



** Note: Items in this white font will be monitored but not acted upon through this SO.*

Intermediate Results

The intermediate results described below provide more details on USAID efforts in the water sector:

IR 1.0: Improved Environmental Protection

Counterparts in this field include the newly established Ministry of Environment (MOE) and the Aqaba Special Economic Zone Authority (ASEZA). While USAID/Jordan will not establish a separate environmental Strategic Objective, it will continue to support activities that improve sustainable environmental approaches and policies that protect natural resources and allow economic growth. Activities will revolve around strengthening the capacity of institutions involved in environmental management and monitoring and protection of both surface and groundwater supplies. Special emphasis will be placed on supporting the establishment of appropriate monitoring and enforcement initiatives including the issuance of essential by-laws, processes, expansion of protected areas, and land use planning.

Illustrative activities and results envisaged under this IR over the next strategy period include:

- Strengthened MOE empowered by sound by-laws, and reorganization standard operating procedures.
- Implementation of at least one model project that integrates environmental protection with socio-economic development and land use planning.
- Provision of appropriate wastewater treatment capacity for rural and remote community wastewater systems causing pollution to watersheds.
- Improve hazardous, medical waste disposal.

IR 2.0: Optimization of Water Resources

Jordan is in a desperate race to match supplies with demand. To keep the water deficit small, the GOJ is developing new water supplies with significant levels of donor support. However, most of the untapped water resources being developed are quite expensive. Accordingly, it will be critical to ensure that appropriate technology is utilized to minimize the capital cost of these facilities and assure that they will be affordable for the GOJ to operate and maintain, as well as ensure the proper and efficient utilization of this valuable resource. Reclaimed water is an additional source of water that can augment currently available water sources, and the well-organized reuse of reclaimed water must be pursued vigorously to replace good quality fresh water.

USAID will support reuse of reclaimed water, municipal and irrigation efficiency, reducing unaccounted-for water, promoting substitution of high water usage activities with more water efficient uses, and decreasing GOJ and donor subsidies. This will be accomplished by promoting appropriate tariff structures for water and wastewater, improving planning of water resources by GOJ, increasing conservation and water use efficiency by all Jordanians, and promoting the use of appropriate technologies in the

sector. Because of their different roles, men and women tend to utilize the resources differently, thus developing different knowledge and expertise. Accordingly, gender differences will be taken into account when designing and implementing these activities.

Illustrative activities and results envisaged under this IR over the next strategy period include:

- Proper, efficient and profitable use of reclaimed, brackish and desalinated water prevalent in the agricultural, industrial and municipal sectors.
- Increased efficiency in on-farm water use resulting in the increased economic return of agricultural water.
- Increased efficiency of water use within the municipal sector both in public buildings as well as within private homes.
- Reduced system leakages in selected municipal water networks due to the redesign and rehabilitation of the water distribution systems.
- Adoption of an effective plan for the implementation of an appropriate tariff structure for water and wastewater that will result in financial sustainability and encourage water conservation.
- Appropriate technology decisions adopted by the GOJ.
- Informative outreach programs implemented on watershed management, water conservation measures, farming practices and other water-related issues, while taking into consideration the different roles of men and women.
- Increased capacity of potable water supply facilities.

IR 3.0: Strengthened Water Policies & Systems

Limitations in the institutional capacity of the water sector, coupled with the very large increases in population and limited funding has created a situation in which the MWI is driven to “managing by crisis.” As a result, strengthening policies and systems has been highlighted as a high priority in every water sector assessment performed in the last 12 years.

USAID will target assistance on selected initiatives and help modernize the involved institutions to improve their performance. Assistance will target areas such as improving planning and allocation of water, promoting the adoption of selected water policies, building a comprehensive information platform for the sector, and strategic management capacity. A national master plan for water resources and sector activities will be supported, which will further strengthen the planning process. This will include the development and implementation of gender-sensitive water resource management strategies and action plans where appropriate.

Illustrative activities and results envisaged under this IR over the next strategy period include:

- Improved regulatory and enforcement capabilities.
- Analysis of current policies and their long-term impact as well as how different policies complement or conflict with each other. Establish a plan to encourage the GOJ agencies to adopt appropriate policies.

- Support the development and implementation of appropriate private sector participation and/or corporatization of the water sector.
- Review and expand the national water sector master plan that sets sector policy at the macro level. The plan will analyze current policies and investment plans to determine the sector's best interests in the long run, especially as related to gender integration, environment protection, and alleviating poverty.
- Build the capability for all operating levels of the water system to develop, implement and monitor strategic business plans, thus improving planning and monitoring activities.
- Support the development and implementation of a comprehensive Information Technology Master Plan for the water sector that will establish the design and/or technologies to be used in the sector.
- Build the capacity within the water sector institutions in planning and assessment of capital investment projects.
- Strengthen capacity to prepare and use multi-year financial projections, including new private sector participation payment obligations and operation and maintenance costs for new plants and facilities.
- Decreased reliance on foreign donors.

IR 4.0: Improved Resource Allocation

Water allocation policies that take into account the scarcity of resources and water quality constraints have been approved by the GOJ. However, implementation is gradual and will require tough decisions with considerable social impact. Nonetheless, if Jordan is to live within its means in the future, then improved resource allocation and elimination of over-drafting of groundwater supplies must be realized over this decade.

To achieve better allocation of resources, USAID support will be targeted to improve management capabilities and operational efficiency, eliminate groundwater over-drafting, expand wastewater treatment capacity and promote wider reuse of reclaimed water. Development and implementation of comprehensive plans utilizing water system economics and processes will also be required to help Jordan live within the limitations of its water resources.

Illustrative activities and results envisaged under this IR over the next strategy period include:

- Expand wastewater treatment capacity to include small and medium-sized communities, to produce additional amounts of effluent that is of suitable quality for successful reuse in agriculture and industry.
- Assist in providing the needed infrastructure to improve water resource allocation.
- Provide assistance to MWI to establish a Ground Water Monitoring and Enforcement Unit that will help implement the new groundwater by-law.

- Collaborate with the GOJ to design, adopt and enforce by-laws that will accelerate the implementation of the adopted GOJ water allocation and reuse policies.
- Complete economics studies for capital investment planning.

SPECIAL OBJECTIVES (SpO)

In addition to the three Strategic Objective areas proposed by USAID/Jordan, the Mission will also maintain two Special Objectives (SpO).

SpO: Emergency Assistance to Jordan

The Emergency Assistance to Jordan SpO was approved in May 2003 to implement the supplemental appropriation of \$700 million to assist Jordan to recover from the negative economic and political impacts of the war in Iraq. This SpO is expected to expire by the end of FY 2004.

SpO: Cash Transfer

USAID/Jordan proposes creating a Special Objective for the cash transfer to clarify levels of funding between SOs. USAID/Jordan will work closely with Embassy/Amman in negotiating the size of the annual cash transfer and overall programmatic budget with the GOJ. The outcome of these negotiations will be reported back to both USAID/Washington and Department of State. And, following current practice, USAID and the GOJ would agree on an annual series of policy reform conditions linked to annual disbursements the cash transfer for balance of payments support. Progress toward these conditions will be measured under each SO. The associated local currency-funded initiatives will be reported, as necessary, in annual reports.

The cash transfer program will provide a means for the GOJ to pay down external non-military debt that would help strengthen its foreign exchange position. While Jordan's relative external debt has declined in recent years, the debt service burden remains high. However, due to the large size of the cash transfer in FY 2003 and planned in FY 2004, much of the cash transfer is now being utilized to pay debt service.

Through conditionalities, the cash transfer program has strengthened the legal and regulatory environment, encouraged important policy reforms, and decreased Jordan's international debt burden. However, the cash transfer program significantly impacts the Mission's ability to conduct programs that contribute to GOJ objectives, and assist in the pursuit of MEPI and other USG assistance goals. While the Mission understands the desire of the GOJ to maintain a large cash transfer program, USAID/Jordan recommends a careful annual reassessment of the balance between the cash transfer program and support for USAID-funded activities in economic growth, democracy and governance, education, health, and water resources. Embassy/Amman joins the USAID Mission in this recommendation. This SpO is expected to expire by the end of FY 2006.

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